

Message Text

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PAGE 01 TAIPEI 07375 030753Z

17

ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-02 PRS-01 ABF-01 AGRE-00 /099 W

----- 072772

R 030624Z NOV 76

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 1584

INFO AMEMBASSY SEOUL

AMCONSUL HONG KONG

UNCLAS TAIPEI 7375

E.O. 11652: N/A

TAGS: ECON, TW

SUBJECT: KEY ECONOMIC INDICATORS FOR SEPTEMBER, 1976

REF : (A) TAIPEI 6698; (B) STATE 057673

1. KEY ROC ECONOMIC INDICATORS FOR SEPTEMBER: ALL FIGURES
IN US DOLLAR MILLIONS AND ROUNDED. FIGURES REVISED
SINCE PREVIOUS REPORT IN PARENTHESES:

	PERCENT	PERCENT	JAN-SEP	JAN-SEPT	PERCENT
SEPT 76	AUG. 76	SEPT 75	A/B - 1	A/C - 1	76 75 F/G - 1
(A)	(B)	(C)	(D)	(E)	(F) (G) (H)

MONEY SUPPLY:

2,960 2,971 2,628 -0.37 12.62

NET FOREIGN ASSETS OF BANKING SYSTEM:

2,550 2,459 2,001 3.73 27.44

IMPORTS ON CUSTOMS BASIS:

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TAIPEI 07375 030753Z

615.0 (676.8) 484.4 -9.13 26.96 5,534.0 4,213.4 31.34

EXPORTS ON CUSTOMS BASIS:

709.3 (717.1) 425.5 -1.09 66.70 5,885.0 3,756.4 56.67

TRADE BALANCE:

94.3 40.3 -58.9 351.0 -457.0

IMPORTS ON FOREIGN EXCHANGE SETTLEMENT BASIS:

521.0 552.1 497.6 .63 4.7 TNQQEMU 4,002.4 27.77

EXPORTS ON FOREIGN EXCHANGE SETTLEMENT BASIS:

693.6 745.1 467.5 -6.91 48.36 5,970.0 4,187.2 42.58

TRADE BALANCE ON FOREIGN EXCHANGE SETTLEMENT BASIS:

172.6 193.0 -30.1 856.3 184.8

IMPORT FROM US (CUSTOMS):

153.0 (147.2) 128.5 3.94 19.07 1,307.5 1,203.3 8.66

EXPORTS TO US (CUSTOMS):

276.9 (283.3) 155.2 -2.26 78.41 2,221.2 1,235.3 79.81

TRADE BALANCE WITH US (CUSTOMS):

123.9 (136.1) 26.7 913.7 32.0

INDUSTRIAL PRODUCTION INDEX (1971 EQUALS 100):

189.1 (188.5) 155.3 0.32 21.76 183.3 144.9 26.50

WHOLESALE PRICE INDEX (1971 EQUALS 100):

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TAIPEI 07375 030753Z

178.01 178.15 171.80 -0.08 3.61 175.35 170.94 2.58

URBAN CONSUMER PRICE INDEX (1971 EQUALS 100):

178.29 178.63 174.77 -0.19 2.01 177.22 172.20 2.91

FOREIGN INVESTMENT APPROVALS:

11.24 32.64 8.12 -65.56 38.42 100.36 71.71 39.95

US INSMET APPROVALS:

1.23 5.23 1.12 -76.48 9.82 18.19 19.61 -7.24

POWER GENERATION (MILLION KWH):

2,406 2,455 2,111 -2.00 13.97 19,953 16,783 18.89

COTTON YARN (1,000 BALES):

153.7 (153.0) 137.4 0.46 11.86 1,303.4 1,077.8 20.93

MAN-MADE FIBERS (M/T):

28,171 (26,164) 28,809 7.67 -2.21 251,469 195,561 28.59

PLASTIC RESINS (M/T):

23,087 (23,415) 20,686 -1.40 11.61 199,526 121,514 64.20

CHEMICAL FERTILIZERS (1,000 M/T):

111.9 (87.8) 87.8 27.45 27.45 844.6 840.7 0.46

CRUDE OIL REFINED (1,000 KL):

1,241.4 1,128.2 774.8 10.03 60.22 9,910.1 6,547.5 51.36

CEMENT (1,000 M/T):

770.8 676.9 567.9 13.87 35.73 6,269.1 4,881.6 28.42

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 TAIPEI 07375 030753Z

STEEL BARS & STRUCTURALS (1,000 M/T):

128.3 (114.9) 83.4 11.66 53.84 956.9 675.9 41.1R

TELEVISIONS (1,000 PIECES):

362.9 (361.3) 276.9 0.44 31.06 2,930.4 2,106.1 39.14

AUTO TIRES (1,000 PIECES):

82 (77) 66 6.49 24.24 639 528 21.02

COAL (1,000 M/T):

265.0 (255.1) 258.6 3.88 2.47 2,346.6 2,293.9 2.30

2. COMMENT: CURRENT INDICATORS SHOW THE ROC ECONOMY STILL OPERATING AT A HIGH LEVEL BY COMPARISON WITH 1975. PERFORMANCE IN THE FOREIGN TRADE SECTOR HAS BEEN PARTICULARLY STRONG; EXPORTS OF US\$709 MILLION IN SEPTEMBER PUSHED THE THIRD QUARTER TOTAL TO A RECORD US\$2.2 BILLION, AND BROUGHT CUMULATIVE SALES FOR THE FIRST THREE QUARTERS TO US\$5.9 BILLION. THIS IS HIGHER THAN TOTAL EXPORTS IN ANY PREVIOUS FULL YEAR PERIOD--MEANING THAT 1976 IS ALREADY A BANNER YEAR FOR EXPORTS, WITH A FULL QUARTER STILL TO GO. THE TREND OF EXPORTS, HOWEVER, WAS DOWNWARD IN BOTH AUGUST AND SEPTEMBER, AND IT IS GENERALLY CONSIDERED THAT THE YEAR'S PEAK WAS REACHED IN JULY. EMBASSY PROJECTS A RELATIVELY MODERATE FOURTH QUARTER GROWTH RATE OF ABOUT 25 PERCENT, WHICH WOULD YIELD AN ANNUAL RATE OF AT LEAST 45 PERCENT. THIS COMPARES WITH THE CURRENT (AKJY-SEPTEMBER) RATE OF 56.7 PERCENT.

3. THE DROP IN FOREIGN DEMAND FOR ROC EXPORTS, AND THE CONTINUING SQUEEZE ON DOMESTIC CREDIT (SEE BELOW), IS REFLECTED IN A SLACKENING RATE OF GROWTH IN THE INDUSTRIAL SECTOR. IN THE FIRST AND SECOND QUARTERS OF THIS YEAR, INDUSTRIAL OUTPUT INCREASED BY 33 PERCENT AND 26 PERCENT, RESPECTIVELY, OVER THE SAME PERIODS IN 1975; THE CORRESPONDING GROWTH RATE IN THE THIRD QUARTER WAS 21 PERCENT.
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PAGE 05 TAIPEI 07375 030753Z

ACCORDING TO AN ECONOMIC PLANNING COUNCIL ASSESSMENT, GENERAL ECONOMIC CONDITIONS ARE NOT EXPECTED TO CHANGE MATERIALLY DURING THE REST OF THE YEAR. THE GROWTH OF INDUSTRIAL OUTPUT IS THEREFORE LIKELY TO DIP AGAIN IN THE FOURTH QUARTER. EVEN SO, THE EMBASSY BELIEVES ROC WILL END 1976 WITH AN INDUSTRIAL PRODUCTION GROWTH RATE OF 23-25 PERCENT FOR THE YEAR AS A WHOLE--A MARKED IMPROVEMENT OVER 1975, WHEN THE RATE WAS ONLY 5.8 PERCENT.

4. THERE WAS NO APPRECIABLE RELAXATION OF CREDIT IN SEPTEMBER. OOTAL BANK LOANS AND DISCOUNTS WERE UP FRATIONALLY FROM AUGUST, BUT THE ANNUAL GROWTH RATE DIPPED TO 16 PERCENT--A NEW LOW FOR THIS YEAR. THE BANKING SYSTEM MEANWHILE HAS ACCUMULATED EXCESS RESERVES (I.E. LOANABLE FUNDS) OF NT\$13 BILLION (US\$342 MILLION). THE GROC LOWERED BANK INTEREST RATES 0.75 PERCENT ON OCTOBER 22, IN A MOVE TO PROVIDE SOME FINANCIAL RELIEF TO FIVS WITH YAVY DBT SERVICE COMMITMENTS. IT PRESUMABLY WAS NOT THE GOVERNMENT'S PURPOSE TO FURTHER STIMULATE CREDIT DEMAND, SINCE DEMAND WAS ALREADY BRISK EVEN AT HIGHER INTEREST RATES. WITH APPROPRIATE GOVERNMENT GUIDANCE, HOWEVER, THE BANKS PROBABLY WILL STEP UP LOAN ACTIVITY

IN THE FINAL QUARTER TO REDUCE THEIR EXCESS LIQUIDITY,
BUT WE DO NOT EXPECT A SUDDEN SURGE OF CREDIT GROWTH.
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